



Financial Statements
June 30, 2022 and 2021

Idaho State University Foundation, Inc.

Independent Auditor’s Report.....	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expense.....	6
Statements of Cash Flows.....	8
Notes to Financial Statements.....	10



Independent Auditor's Report

The Board of Directors and Management
Idaho State University Foundation, Inc.
Pocatello, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Idaho State University Foundation, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Idaho State University Foundation, Inc. as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Idaho State University Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Idaho State University Foundation, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Idaho State University Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Idaho State University Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Boise, Idaho
September 15, 2022

Idaho State University Foundation, Inc.

Statements of Financial Position

June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 3,242,688	\$ 999,239
Life insurance cash surrender value	151,698	146,779
Promises to give, net	17,849,813	3,609,423
Miscellaneous receivables	60,871	43,598
Advances to related parties	1,187,723	603,240
Prepaid expenses	84,737	92,663
Donated land held for ISU	205,793	330,793
Investments held under split interest agreements	2,434,422	2,998,443
Investments held for operations	18,961,879	19,366,095
Investments held for endowment	73,679,139	75,190,280
Total assets	\$ 117,858,763	\$ 103,380,553
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 6,094	\$ 19,718
Scholarship and program support payable to Idaho State University	51,799	21,634
Obligations to beneficiaries under split-interest agreements	961,092	1,021,622
Funds held in custody for others	1,225,482	1,198,386
Long-term debt	3,000,000	3,000,000
Total liabilities	5,244,467	5,261,360
Net Assets		
Net assets without donor restrictions	3,377,441	3,951,119
Net assets with donor restrictions	109,236,855	94,168,074
Total net assets	112,614,296	98,119,193
Total liabilities and net assets	\$ 117,858,763	\$ 103,380,553

Idaho State University Foundation, Inc.

Statement of Activities
Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support, Revenue, and Gains			
Contributions and gifts	\$ 737,454	\$ 28,914,408	\$ 29,651,862
Donated materials and services	139,455	-	139,455
Net interest and dividends	554,446	5,448,373	6,002,819
Net realized/unrealized gain/(loss) on investments	(1,839,162)	(6,984,797)	(8,823,959)
Fees, charges, and miscellaneous	1,334,897	-	1,334,897
Net change in value of split-interest agreements and life insurance	4,918	(488,339)	(483,421)
Donor designated transfers	101,142	(101,142)	-
Net assets released from program restrictions	<u>11,719,722</u>	<u>(11,719,722)</u>	<u>-</u>
Total support, revenue and gains	<u>12,752,872</u>	<u>15,068,781</u>	<u>27,821,653</u>
Expenses			
Program services			
Academic, development and program support	11,262,613	-	11,262,613
Endowment and private resource management	8,953	-	8,953
Support services			
Management and general	1,244,329	-	1,244,329
Fundraising	<u>810,655</u>	<u>-</u>	<u>810,655</u>
Total expenses	<u>13,326,550</u>	<u>-</u>	<u>13,326,550</u>
Change in Net Assets	(573,678)	15,068,781	14,495,103
Net Assets, Beginning of Year	<u>3,951,119</u>	<u>94,168,074</u>	<u>98,119,193</u>
Net Assets, End of Year	<u>\$ 3,377,441</u>	<u>\$ 109,236,855</u>	<u>\$ 112,614,296</u>

Idaho State University Foundation, Inc.

Statement of Activities

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support, Revenue, and Gains			
Contributions and gifts	\$ 427,386	\$ 9,527,177	\$ 9,954,563
Donated materials and services	159,493	-	159,493
Net interest and dividends	269,135	1,314,653	1,583,788
Net realized/unrealized gain/(loss) on investments	1,450,970	17,090,485	18,541,455
Fees, charges, and miscellaneous	1,165,530	-	1,165,530
Net change in value of split-interest agreements and life insurance	13,029	337,528	350,557
Donor designated transfers	(5,100)	5,100	-
Net assets released from program restrictions	8,793,963	(8,793,963)	-
Total support, revenue and gains	12,274,406	19,480,980	31,755,386
Expenses			
Program services			
Academic, development and program support	7,312,206	-	7,312,206
Endowment and private resource management	36,961	-	36,961
Support services			
Management and general	1,340,616	-	1,340,616
Fundraising	478,163	-	478,163
Total expenses	9,167,946	-	9,167,946
Deconsolidation of Subsidiary			
Loss on deconsolidation of subsidiary	(807,360)	-	(807,360)
Change in Net Assets	2,299,100	19,480,980	21,780,080
Net Assets, Beginning of Year	1,652,019	74,687,094	76,339,113
Net Assets, End of Year	\$ 3,951,119	\$ 94,168,074	\$ 98,119,193

Idaho State University Foundation, Inc.

Statement of Functional Expense

Year Ended June 30, 2022

	Program Services			Management and General	Fundraising	Total
	Academic, Development and Program Support	Endowment and Private Resource Management	Total			
Personnel costs	\$ -	\$ -	\$ -	\$ 5,837	\$ -	\$ 5,837
Professional services	-	-	-	19,542	45,335	64,877
Printing and postage	-	-	-	537	-	537
Travel	-	-	-	1,859	-	1,859
Conferences and meetings	-	-	-	8,062	-	8,062
Credit card and processing fees	-	-	-	-	23,086	23,086
Life insurance premiums	-	-	-	-	68,880	68,880
Interest expense	-	-	-	120,000	-	120,000
Payments under planned gift instruments	-	8,953	8,953	-	-	8,953
Management and gift fees	-	-	-	867,542	462,747	1,330,289
Contributed services	-	-	-	139,455	-	139,455
Insurance	-	-	-	12,043	-	12,043
Accounting and audit fees	-	-	-	57,092	-	57,092
Bad debt	-	-	-	(3,191)	-	(3,191)
Information technology	87,060	-	87,060	15,551	13,922	116,533
Development office support	106,109	-	106,109	-	196,685	302,794
Promotional transfers	135,500	-	135,500	-	-	135,500
Scholarships	3,036,560	-	3,036,560	-	-	3,036,560
Athletics	62,999	-	62,999	-	-	62,999
General and capital support	7,834,385	-	7,834,385	-	-	7,834,385
Total expenses included in the expense section on the statement of activities	<u>\$ 11,262,613</u>	<u>\$ 8,953</u>	<u>\$ 11,271,566</u>	<u>\$ 1,244,329</u>	<u>\$ 810,655</u>	<u>\$ 13,326,550</u>

See Notes to Financial Statements

Idaho State University Foundation, Inc.

Statement of Functional Expense

Year Ended June 30, 2021

	Program Services						
	Academic, Development and Program Support	Endowment and Private Resource Management	Bengal Pharmacy	Total	Management and General	Fundraising	Total
Personnel costs	\$ -	\$ -	\$ 397,433	\$ 397,433	\$ 130,493	\$ -	\$ 527,926
Cost of goods sold	-	-	5,644,047	5,644,047	-	-	5,644,047
Professional services	-	-	321	321	20,541	-	20,862
Travel	-	-	27,745	27,745	-	-	27,745
Conferences and meetings	-	-	500	500	534	-	1,034
Other operating expenses	-	-	100,405	100,405	1,166	-	101,571
Credit card and processing fees	-	-	129,862	129,862	25	16,717	146,604
Life insurance premiums	-	-	-	-	-	8,880	8,880
Interest expense	-	-	7,757	7,757	120,000	-	127,757
Payments under planned gift instruments	-	36,961	-	36,961	-	-	36,961
Management and gift fees	-	-	-	-	797,113	360,568	1,157,681
Contributed services	-	-	-	-	159,493	-	159,493
Insurance	-	-	9,678	9,678	11,769	-	21,447
Accounting and audit fees	-	-	21,488	21,488	57,109	-	78,597
Bad debt	-	-	(1,265)	(1,265)	8,371	-	7,106
Information technology	92,418	-	76,886	169,304	15,824	6,193	191,321
Depreciation and amortization	-	-	30,806	30,806	-	-	30,806
Development office support	64,158	-	-	64,158	-	85,805	149,963
Promotional transfers	135,500	-	-	135,500	-	-	135,500
Scholarships	2,778,249	-	-	2,778,249	-	-	2,778,249
Athletics	16,352	-	-	16,352	-	-	16,352
General and capital support	4,225,529	-	-	4,225,529	-	-	4,225,529
Total expenses by function	7,312,206	36,961	6,445,663	13,794,830	1,340,616	478,163	15,613,609
Less expenses included with revenues on the statement of activities							
Pharmacy cost of goods sold	-	-	(6,445,663)	(6,445,663)	-	-	(6,445,663)
Total reductions of revenues	-	-	(6,445,663)	(6,445,663)	-	-	(6,445,663)
Total expenses included in the expense section on the statement of activities	\$ 7,312,206	\$ 36,961	\$ -	\$ 7,349,167	\$ 1,340,616	\$ 478,163	\$ 9,167,946

See Notes to Financial Statements

Idaho State University Foundation, Inc.

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 14,495,103	\$ 21,780,080
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized loss/(gain) on investments	11,116,116	(16,884,596)
Loss on deconsolidation of subsidiary	-	807,360
Contributions restricted to endowment	(2,894,848)	(2,477,503)
Change in life insurance valuation	(20,067)	(33,123)
Change in value of split interest agreements	564,021	(444,343)
Gain on sale of donated property	(575,000)	-
Changes in assets and liabilities		
Promises to give	(14,220,323)	29,664
Life insurance cash surrender value	(4,919)	(13,029)
Miscellaneous receivables	(17,273)	17,273
Advances to related parties	(584,483)	(603,240)
Prepaid expenses	7,926	2,136
Accounts payable	(13,624)	6,070
Scholarships and program support payable to Idaho State University	30,165	5,728
Funds held in custody for others	4,496	(89,105)
Obligations to beneficiaries under split-interest agreement	146,269	253,750
Net Cash from Operating Activities	8,033,559	2,357,122
Investing Activities		
Proceeds from sale of investments	18,489,118	17,659,291
Purchase of investments	(27,170,617)	(21,538,760)
Proceeds from sale of land held for sale	700,000	-
Net Cash used for Investing Activities	(7,981,499)	(3,879,469)
Financing Activities		
Proceeds from contributions restricted to endowment	2,894,848	2,477,503
Donated securities	(496,660)	(991,974)
Payments to beneficiaries of split-interest agreements	(206,799)	(201,597)
Payment on notes payable	-	32,920
Net Cash from Financing Activities	2,191,389	1,316,852

Idaho State University Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Deconsolidated Subsidiary		
Net cash from operating activities	-	388,847
Net cash from investing activities	-	(462,689)
Net cash used for financing activities	-	(160,517)
	-	(234,359)
Net Cash used for Deconsolidated Subsidiary	-	(234,359)
Change in Cash and Cash Equivalents	2,243,449	(439,854)
Cash and Cash Equivalents, Beginning of Year	999,239	1,439,093
Cash and Cash Equivalents, End of Year	\$ 3,242,688	\$ 999,239
Supplemental Disclosures		
Cash paid for interest	\$ -	\$ 7,757
Cash paid for unrelated business income taxes	\$ 1,170	\$ 10,139

Note 1 - Foundation Operations and Significant Accounting Policies**Organization**

The Idaho State University Foundation, Inc. (the Foundation) is the primary affiliated foundation supporting Idaho State University (the University). The Foundation was formed in March 1967 as a not-for-profit corporation incorporated in accordance with the laws of the State of Idaho and is managed by a volunteer Board of Directors. Under the Idaho State Board of Education's administrative rules, the Foundation must be independent of, and cannot be controlled by the University. Operating and services agreements between the Foundation and the University define the relationship between the two entities in accordance with the State Board of Education's rules.

The mission of the Foundation is to stimulate voluntary private support from alumni, parents, friends, corporations, foundations, and others for the benefit of the University and its students. The mission is accomplished by focusing on two primary service areas.

Academic, development and program support

The Foundation supports private individuals and organizations in contributing to the University programs and projects that are meaningful to the donor and important to the University. The Foundation provides assurance that contributions will be received, distributed and used in the manner donor intended. The donated resources provide additional opportunities for students and promote a degree of institutional excellence unavailable with state funding levels.

Endowment and private resource management

The Foundation manages the endowment and other privately donated funds received for the benefit of the University and its programs. Management of these resources includes selection of investment advisors, establishing investment targets and allocations, enhancing returns invested funds and managing cash flows to meet the spending needs of the University from endowment and other funds.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature or other long-term purposes are excluded from this definition. Cash and cash equivalents held by investment managers are considered investments as the funds have been designated by the Foundation for investment purposes.

Investments Held for Operations

The Foundation holds certain funds that are not intended for long-term investment as part of the endowment pool. These funds are expected to be called by the University or used for Foundation operations within a 3-year time frame, but could be called for at any time. The investment risk profile for these funds is intended to ensure the original value of the investments is maintained and the risk of loss is minimized.

Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2022 and 2021, the allowance was \$135,506 and \$138,697, respectively.

Property and Equipment

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to be a result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2022 and 2021.

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Donated Land Held for ISU

The Foundation periodically receives donations of land which are held for resale or for use at the University. As of June 30, 2022, the Foundation's only piece of land was held for the University. Such assets are recorded at fair value at date of donation. Subsequently, such assets are carried at the lower of their recorded amounts or fair value.

Assets Held and Liabilities under Split Interest Agreements

The Foundation administers life income agreements such as charitable remainder trusts where an income beneficiary is the lifetime recipient of income and the Foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a risk-adjusted discount rate designed to reflect the assumptions market participants would make in pricing the liability. A contribution is recognized for the estimated remainder interest.

Charitable Trusts

The Foundation acts as trustee for various irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for a future distribution of cash or other assets upon the occurrence of a specific event. Trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a contribution with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the donor-restricted purpose stipulated by the trust agreement, or both, if any. At that time, net assets with donor-imposed time or purpose restrictions are released to net assets without restrictions, and net assets with donor restrictions that are perpetual in nature are transferred to the endowment. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the trust, the remaining liability is removed and recognized as income.

Charitable Gift Annuities

Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets and agree to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Investments in equity and debt securities that have readily determinable fair values are recorded at quoted market prices. Investment securities without quoted market prices are valued at estimated fair value using appropriate valuation methods that consider the underlying assets and financial reports.

The Foundation, through the Board of Directors, appoints an investment committee that determines investment guidelines, sets the spending rules, and engages the investment manager(s) and custodian(s). The Board of Directors oversees and approves all investment and asset allocation policies proposed by the Investment Committee.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Foundation reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

The Foundation recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. As of June 30, 2022 and 2021, contributions approximating \$17,977,355 and \$11,152,350, respectively, have not been recognized in the accompanying statement of activities because the conditions on which they depend has not been met.

Assessments

All endowment funds are charged an annual administrative fee of 1.5%. New gifts with donor-imposed restrictions are charged an administrative fee which may vary with the size of the gift.

Donated Services and In-Kind Contributions

Donated materials and services are reflected as contributions at their estimated fair market values at date of receipt. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation.

The Foundation's office is located in the Idaho State University's administration building. The use of space is donated by Idaho State University, which also donates the services of employees that perform administrative functions for the Foundation. These items represent in-kind donations that are recognized as revenues with a corresponding expense.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses have been allocated to programs or functions when the expense was specifically for that program. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Fundraising includes annual giving program expenses and other costs of fundraising such as transaction and administrative gift fees. The costs included in fundraising are specifically identifiable to that function.

Certain information technology expenses, including donor database expenses and amortization, are allocated according to the number of users in each program or function.

Income Taxes

Idaho State University Foundation, Inc. is organized as an Idaho nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. In fiscal year 2021, Bengal Pharmacy LLC was treated as a disregarded entity for income tax purposes, and accordingly, all income and expenses are reported through the Foundation. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation has filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS or various state equivalents to report its unrelated business taxable income.

The Foundation has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material. The most significant estimates used in the financial statements relate to the present value of the promises to give, the obligations under the split interest agreements, and the fair market values of certain investments.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by management and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Note 2 - Liquidity and Availability

Financial assets available to the Foundation for general use, that is, assets that are not subject to restrictions limiting their use, within one year of the statement of financial position, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 3,242,688	\$ 999,239
Investments held for operations	18,961,879	19,366,095
Miscellaneous receivables	60,871	43,598
Distributions from assets held under split-interest agreements	203,832	204,636
Endowment spending rate distributions and appropriations	3,432,799	3,062,197
	<u>\$ 25,902,069</u>	<u>\$ 23,675,765</u>

Endowment funds are donor-restricted and are not available for general expenditure. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use.

As part of a liquidity management plan, cash in excess of projected requirements is invested in short-term investments, CDs, and money market funds.

Note 3 - Fair Value of Assets and Liabilities

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

Investment assets classified within Level 1 are comprised of open-end mutual funds and other investments with readily determinable fair values based on daily redemption values. U.S. Government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2. The fair values of beneficial interest in charitable and perpetual trusts are determined by using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees.

The Foundation uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain hedge funds and private equity funds which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Idaho State University Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at June 30, 2022 and 2021:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
<u>June 30, 2022</u>					
Operating Investments					
Equity Funds	\$ -	\$ 6,740,940	\$ -	\$ -	\$ 6,740,940
Bond funds	-	12,220,939	-	-	12,220,939
Assets held under split interest agreements					
Cash and money market funds	\$ 720	\$ -	\$ -	\$ -	720
Bond funds	-	1,228,886	-	-	1,228,886
Equity funds	-	1,204,816	-	-	1,204,816
Co-mingled and pooled investment funds					
Cash and money market funds	118,827	-	-	-	118,827
Real estate funds	-	115,341	-	-	115,341
Bond funds	-	11,749,725	-	-	11,749,725
Equity funds	-	42,418,379	-	14,564,908	56,983,287
Real asset funds	-	3,085,922	-	1,626,037	4,711,959
	<u>\$ 119,547</u>	<u>\$ 78,764,948</u>	<u>\$ -</u>	<u>\$ 16,190,945</u>	<u>\$ 95,075,440</u>

Idaho State University Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
<u>June 30, 2021</u>					
Operating Investments					
Mutual funds	\$ -	\$ 2,232,153	\$ -	\$ -	\$ 2,232,153
Bond funds	-	17,133,942	-	-	17,133,942
Assets held under split interest agreements					
Bond funds	\$ -	\$ 1,466,028	\$ -	\$ -	1,466,028
Equity funds	-	1,532,415	-	-	1,532,415
Co-mingled and pooled investment funds					
Cash and money market funds	126,439	-	-	-	126,439
Real estate funds	-	145,134	-	-	145,134
Bond funds	-	11,639,997	-	-	11,639,997
Equity funds	-	45,746,483	-	13,200,605	58,947,088
Real asset funds	-	3,094,329	-	1,237,293	4,331,622
	<u>\$ 126,439</u>	<u>\$ 82,990,481</u>	<u>\$ -</u>	<u>\$ 14,437,898</u>	<u>\$ 97,554,818</u>

Investments in certain entities that calculate NAV per share are as follows at June 30, 2022 and 2021:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
<u>2022</u>				
Co-mingled and pooled investment funds				
Equity Funds	\$ 14,564,908	\$ -	Illiquid	none
Real asset funds	1,626,037	-	Illiquid	none
<u>2021</u>				
Co-mingled and pooled investment funds				
Equity Funds	\$ 13,200,605	\$ -	Illiquid	none
Real asset funds	1,237,293	-	Illiquid	none

Equity Funds – Funds focused primarily on equities of publicly traded companies. These funds may include global equity funds, which invest all over the world, including investment in emerging markets; sector equity funds, which invest in individual areas of the economy such as technology firm or banks, and market capitalization equity funds, which generally limit investments to small-cap, mid-cap, and large-cap companies. These funds are used to promote growth in the value of the endowment portfolio.

Real Assets Funds – These funds focus on investments in the commodities and natural resources industries. With the commodities focus, the fund engages in various derivative type transactions with some investment income earnings. The various funds invest in natural resources commodities and commercial property opportunities.

Fair Value of Financial Instruments Not Required to Be Reported at Fair Value

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and other liabilities, approximate fair value due to the short-term nature of the items, and are considered to fall within Level 1 of the fair value hierarchy. The carrying amount of promises to give due in more than one year is based on the discounted net present value of the expected future cash receipts, and approximates fair value. The carrying amount of liabilities under split-interest agreements is based on the discounted net present value of the expected future cash payments, and approximates fair value. The fair values of other notes payable are based on a combination of the stated interest rates and the unsecured borrowing rate available to Idaho State University Foundation, Inc. at the measurement dates, and approximate their carrying amounts. These estimates are considered to fall within Level 2 of the fair value hierarchy.

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2022 and 2021:

	2022	2021
Receivable in less than one year	\$ 4,672,751	\$ 814,937
Receivable in one to five years	7,071,183	1,377,488
Receivable in more than five years	9,437,766	2,138,096
	21,181,700	4,330,521
Less discount to present value (at 2.00% - 8.75%)	(3,196,381)	(582,401)
Less allowance for uncollectable promises to give	(135,506)	(138,697)
	<u>\$ 17,849,813</u>	<u>\$ 3,609,423</u>

Note 5 - Property and Equipment

The Foundation's property and equipment as of June 30, 2022 and 2021 totaled \$150,902. These assets were fully depreciated as of June 30, 2022 and 2021.

Note 6 - Split Interest Agreement Obligations

Split interest agreements held by the Foundation are irrevocable charitable remainder annuity trusts. Assets and liabilities related to the split interest agreements are included in the accompanying statements of financial position. Trust assets are recorded as fair market value and a liability is recorded for the present value of estimated distributions to the beneficiaries. The liability is calculated using the life expectancy tables published by the Internal Revenue Service and discounted to present value using risk-adjusted discount rates designed to reflect the assumptions market participants would make in pricing the liability. Assets held in the charitable remainder trusts totaled \$2,434,422 and \$2,998,443 at market value at June 30, 2022 and 2021, respectively, and are included in investments in the accompanying statements of financial position. The benefit obligation payments for the charitable remainder annuity trusts at June 30, 2022 and 2021, are discounted to total \$961,092 and \$1,021,622, respectively. The discount rates used range between 0.60% and 5.09% for the years ending June 30, 2022 and 2021. The assets of the individual trusts are invested and are expected to generate sufficient income to pay this obligation until the termination of the individual trusts. Changes in the value of the trust have been reported in the statements of activities in temporarily and permanently restricted net assets in accordance with donor-imposed restrictions.

Note 7 - Long-Term Debt**Notes Payable - Foundation**

During the year ended June 30, 2020 the Foundation entered into an agreement with the University in order to refinance its note payable to the bank in the amount of \$3,500,000. In a subsequent written agreement with the Foundation and University, a donor amended their pledge agreement to redistribute a portion of the pledge to scholarship endowment funds. As a result, the Foundation recognized contributed revenue and a decrease in its payable to the University in the amount of \$500,000. As of June 30, 2022, and June 30, 2021, the balance owed to the University by the Foundation was \$3,000,000.

This agreement with the University is secured by conditional pledges for the Stephens Performing Arts Center (SPAC). As part of the agreement, the Foundation agreed to make payments in advance of the receipt of the conditional pledges. The Foundation has recorded these amounts paid in advance as advances in promises to give on the statement of financial position. The balance of these advances at June 30, 2022 and 2021, was \$1,187,723 and \$603,240, respectively.

The agreement does not carry a stated interest rate. However, interest imputed at the University's bond rate of 4.00% is recognized as both contribution revenue without donor restrictions and interest expense. For the years ended June 30, 2022 and 2021 the amount of imputed interest was \$120,000 per year.

Note 8 - Donated Materials and Services

Donated materials and services from Idaho State University posted to management and general expenses for the years ended June 30 were:

	Management and General
<u>2022</u>	
Salaries and benefits	\$ 117,546
Materials and supplies	10,053
Office space	<u>11,856</u>
	<u>\$ 139,455</u>
<u>2021</u>	
Salaries and benefits	\$ 148,653
Materials and supplies	1,333
Office space	<u>9,507</u>
	<u>\$ 159,493</u>

Note 9 - Endowment Funds

The Foundation's endowment consists of over 700 individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions. Changes in the fair value of split-interest agreements, life insurance, and the net change in charitable remainder trusts relating to permanently restricted assets are summarized in other changes in the following tables.

The Board of Directors of the Foundation has interpreted the Idaho Prudent Management of Institutional Funds Act (IPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the endowment. The remaining portion of the donor-restricted endowment fund, that is not classified in permanently restricted net assets, is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the Foundation in a manner that is consistent with the standard of prudence prescribed by IPMIFA.

In accordance with IPMIFA, the Foundation considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

In accordance with IPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund or endowment
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Donor imposed restrictions requiring earnings to be contributed back to the corpus are not formally complied with by the Foundation. The Foundation addresses this indirectly through the strategy established through its investment and spending policies.

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or IPMIFA requires the Foundation to maintain as a fund of perpetual duration. Deficiencies have been reported in net assets without donor restrictions totaling \$384,742 and \$17,713 as of June 30, 2022 and 2021, respectively.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and scholarships supported by its endowment while seeking to maintain the fair value of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide both a reasonably predictable income stream and principal appreciation that exceeds inflation. The Foundation expects its endowment funds, over time, to provide an average minimum rate of return equal to the annual change in the United States Consumer Price Index plus the Foundation's spending rate percentage and management fee.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a current policy of appropriating for annual distribution 4% of its endowment funds' average fair values over the prior 12 quarters through the calendar year end proceeding the current fiscal year, assuming the endowment grows at an average rate at least equal to the change in the Consumer Price Index annually.

In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow spending consistent with objectives to maintain the principal of the endowment assets in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The annual percentage distribution is reviewed annually by the Board of Directors and may change based on those reviews.

Idaho State University Foundation, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

During the fiscal year ended June 30, 2018, the Foundation amended its policy for appropriating endowment funds for annual distributions. As amended, the policy allows a distribution from 0% to 4% of each endowment fund's average fair value. Distributions of less than 4% may be made if the fair market value of an endowment falls below its historical contribution value. The amended policy went into effect July 1, 2018.

The endowment fund net assets are composed entirely of assets with donor restrictions. The balances at June 30, 2022 and 2021 were \$88,703,400 and \$75,070,367, respectively.

Changes in endowment net assets are as follows:

	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Assets, Beginning of Year July 1, 2021	\$ -	\$ 75,070,367	\$ 75,070,367
Investment return			
Net investment income	-	5,151,314	5,151,314
Net realized and unrealized appreciation	-	(6,565,951)	(6,565,951)
Contributions	-	19,139,940	19,139,940
Appropriation of endowment assets for expenditures	-	(4,092,270)	(4,092,270)
	<u>\$ -</u>	<u>\$ 88,703,400</u>	<u>\$ 88,703,400</u>
	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Assets, Beginning of Year July 1, 2020	\$ -	\$ 58,999,191	\$ 58,999,191
Investment return			
Net investment income	-	1,883,710	1,883,710
Net realized and unrealized depreciation	-	16,088,609	16,088,609
Contributions	-	2,283,046	2,283,046
Appropriation of endowment assets for expenditures	-	(4,184,189)	(4,184,189)
	<u>\$ -</u>	<u>\$ 75,070,367</u>	<u>\$ 75,070,367</u>

Note 10 - Related Party Transactions

The Foundation provides support to the University from resources both with and without donor restrictions. Support from donor restricted resources includes academic and athletic scholarships to students attending the University and various types of departmental support, in accordance with the terms of the gifts generating the resources. The Foundation also provides support from resources without donor restrictions for University advancement efforts.

During the year ended June 30, 2022, the Foundation entered into an agreement with the University to refinance the existing long-term debt on the SPAC, as discussed in Note 7.

Several members of the Board of Directors have made promises to give to the Foundation. For the years ended June 30, 2022 and 2021, the balances outstanding on those promises to give were approximately \$1,294,735 and \$1,188,906, respectively.

The Pullen-Grey Foundation, the Bengal Athletic Boosters and various other entities transferred certain assets to the Foundation for investment and management, which are included in the amount of funds held in custody for others. Funds held for others totaled \$1,225,482 and \$1,198,386 as of June 30, 2022 and 2021, respectively. Interest and fees on investments are allocated accordingly to the respective investments.

Note 11 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Academic Support	\$ 5,788,840	\$ 4,398,903
Institutional Support	11,703,085	12,048,433
Scholarships	<u>3,041,530</u>	<u>2,650,371</u>
	<u>20,533,455</u>	<u>19,097,707</u>
Endowments		
Subject to appropriation and expenditure for a specified purpose		
Academic Support	6,292,123	7,943,225
Institutional Support	15,233,126	851,770
Scholarships	<u>10,702,720</u>	<u>14,100,227</u>
	<u>32,227,969</u>	<u>22,895,222</u>
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Academic Support	9,701,024	8,755,989
Institutional Support	2,298,232	2,495,029
Scholarships	44,860,917	40,941,840
Underwater endowments	<u>(384,742)</u>	<u>(17,713)</u>
	<u>56,475,431</u>	<u>52,175,145</u>
Total endowments	<u>88,703,400</u>	<u>75,070,367</u>
	<u>\$ 109,236,855</u>	<u>\$ 94,168,074</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net assets released from restrictions		
Satisfactions of purpose restrictions:		
Academic Support	\$ 477,880	\$ 808,843
Institutional Support	6,944,442	4,146,369
Scholarships	2,980,079	2,739,457
Restricted-purpose spending-rate distributions and appropriates	<u>1,317,321</u>	<u>1,099,294</u>
	<u>\$ 11,719,722</u>	<u>\$ 8,793,963</u>

Note 12 - Deconsolidation of Subsidiary

The Foundation previously had a subsidiary corporation called Bengal Pharmacy, LLC (the Pharmacy). The Pharmacy was formed in 2014 as a limited liability company (LLC) with the Foundation as the sole member.

The Pharmacy was formed to serve students, administrative staff, and faculty being seen by the student health center as well as patients of the Idaho State University (ISU) residency program. The residency program treats patients of a local Federally Qualified health Center (FQHC) including those who qualify for discount drug purchases under Section 340b of the Public Health Service Act.

In January, 2021, the Foundation and the University entered into an agreement to transfer ownership of the Pharmacy to the University, effective June 30, 2021, to be directed and managed by the College of Pharmacy. No interest in Pharmacy was retained by the Foundation. The Foundation received no consideration from the University for this transfer. The transfer of Pharmacy assets and liabilities from the Foundation to the University constitutes a gift to the University of the following:

Balance Sheet	<u>2021</u>
Current assets	
Cash	\$ 369,962
Accounts receivable	256,153
Inventories	357,580
Prepaid expenses	900
Noncurrent assets	
Fixed assets, net	111,182
Goodwill	199,241
Current liabilities	
Accounts payable	(212,270)
340b payable	(106,025)
Other Liabilities	(16,467)
Noncurrent liabilities	
Note payable	<u>(97,806)</u>
Member's equity deconsolidated	<u><u>\$ 862,450</u></u>

Statement of Operations	2021
Pharmacy sales	\$ 6,500,723
Cost of sales	(5,644,047)
Gross profit	856,676
Payroll and operating expenses	(801,590)
Loss on deconsolidation	807,364
Member's equity deconsolidated	\$ 862,450

Note 13 - Contingencies

Over the course of several years, the University and Foundation have raised funds for the construction of an Alumni Center on the University's campus. The fundraising campaign concluded December 31, 2019 when the University and Foundation reached their target of \$9 million dollars through cash collections and future gift commitments. Due to the COVID-19 pandemic, the competitive bid process for the project was not undertaken until 2021. Altered economic conditions and availability of materials resulted in a substantial cost increase: the lowest qualified bidder estimated the cost to build the Alumni Center was \$2.5 million dollars more than the \$9 million dollars raised.

In order to expediently accept the lowest bid, the University asked the Foundation to use a portion of its net assets without donor restrictions to provide a fundraising guarantee of up to \$2.5 million dollars. The University and Foundation will continue with fundraising efforts, and the additional funds raised, whether collected or pledged, will reduce the amount of the potential future payment to the University under the terms of the guarantee by the amount of the additional funds raised. Because the results of additional fundraising efforts is not yet known, the Foundation cannot estimate the amount of potential future payments to the University.

The Foundation's guarantee to make payment to the University of up to \$2.5 million dollars is not due until fiscal year 2027.

Note 14 - Subsequent Events

The Foundation has evaluated subsequent events through September 15, 2022, the date the financial statements were available to be issued.